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Evaluation of the Policy Analysis, Planning and Implementation (PAPI) Project

USAID/Peru

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SO2 - Increased Incomes of the Poor

Executive summary

Background

On September 29, 1990, USAID/Peru and the Government of Peru (GOP) signed a Project Grant Agreement for the Policy Analysis, Planning and Implementation Project (PAPI). The Agreement provided for up to \$7.15 million for a range of activities to support economic policy reform in the country, with a Project Assistance Completion Date (PACD) of March 30, 1995.

The General Secretariat of the Presidency of the Republic (*Secretaría General de la Presidencia de la República*, SGPR) was designated as the lead implementing agency, responsible for receiving, reviewing, prioritizing and assisting in carrying out requests for technical studies/assistance and training from GOP agencies concerned with the design and implementation of policy reform. The Project Grant Agreement also provided for a Technical Unit (TU) established and financed under the project to support the SGPR in carrying out its project-related functions. The principal counterpart on the private sector side was the National Confederation of Private Business Institutions (CONFIEP). Under a long-term contract, an Institutional Contractor (IC) was responsible for responding to requests for assistance by planning and organizing project activities, contracting specialized technical and training personnel, and administering project resources.

The project started officially in March 1991, with initial activities managed directly by USAID/Peru and the SGPR's Technical Unit. USAID/Peru awarded the contract for the Institutional Contractor activity in March 1992. In response to the political events of April 5, 1992 (the closing down of Congress), USAID suspended project implementation until December 1992; the IC's Chief of Party finally arrived in September 1993. Implementation of the full range of project activities did not start until late 1993. In July 1993, USAID issued a Project Implementation Letter (PIL #8) which shifted most of the technical responsibility to the TU, leaving the IC in effect with only administrative and procurement duties. The contract with the IC, however, was not changed to reflect these changes.

A mid-course management review of the PAPI project in August 1994 recommended refocusing the project on new policy priorities and streamlining its administrative procedures. Amendment No. 5 to the Project Grant Agreement, signed in March 1995, reflected some of these recommendations, but primarily confirmed and expanded the changes outlined in PIL #8. The contract with the IC was modified to strengthen its capabilities in administration, procurement and budgetary oversight. The IC continued to provide both technical guidance and administrative support to the private sector counterpart, CONFIEP.

Evaluation mandate and approach

As the PAPI project draws to a close, the task at hand is to assess the performance of the project in terms of contributions to the Government of Peru and the private sector in their efforts to develop sound economic policies and in terms of the efficiency of the project's structure and management. More specifically, the evaluation of PAPI was to assess (a) the performance and impact of PAPI project activities, particularly technical assistance, in achieving project objectives (impact on economic policy reform), (b) progress achieved by the project in developing the capability to carry out its intended functions, (c) the appropriateness of the basic project design, and (d) lessons learned from this project.

The evaluation team comprised two members, a development economist and an institutional development specialist, who spent about 15 days in Lima for data collection, analysis and drafting of a work plan and of the evaluation report. Given the tight time frame for the evaluation, the approach consisted of a combination of interviews with key informants and review of documentation. The team also used

special tabulations of characteristics of PAPI-supported activities from the Institutional Contractor, and carried out some limited analysis of the available data. The team worked with USAID/Peru in identifying the appropriate key informants, Mission staff set up the actual interviews.

Conclusions Performance and impact

Conclusion #1 The project has contributed appreciably to the design and implementation of policy reform.

Conclusion #2 The project has enabled GOP entities to address issues and needs that were difficult to deal with under other funding vehicles, and has offered a flexible and quick-response mechanism for responding to these needs that is rare in the panoply of support options.

Conclusion #3 The project has contributed to the emergence of a private sector advocacy role, but has failed in establishing a satisfactory dialogue between its own private and public sector activities.

Conclusion #4 On the whole, project activities have been technically sound.

Conclusion #5 Project activities have not been sufficiently integrated into the overall pursuit of policy priorities within the USAID Mission.

Conclusion #6 The PAPI project's achievements in terms of its EOPS criteria (outlined in Amendment No. 5 to the Project Grant Agreement) have been uneven.

Conclusions Project management and implementation

Conclusion #7 The project has involved a broad range of GOP entities.

Conclusion #8 The project structure is complex, even after the attempts at streamlining under Amendment No. 5, and is confusing for the executing agencies.

Conclusion #9 The structure of project implementation has impaired USAID's participation in policy dialogue.

Conclusion #10 Poor communication between members of the PAPI team has reduced the efficacy of the project and has resulted in poor morale. USAID contributed to the confusion by issuing a Project Implementation Letter that entailed a major realignment of responsibilities without modifying the technical assistance contract accordingly. As a result, for almost two years two project entities — the TU and the IC — could point to a mandate from USAID for having the lead responsibility on technical issues.

Conclusion #11 The management of project funds as a semiannual 'sweepstakes' or competition has severely impaired the ability to use project support in a programmatic fashion (for example, combining research, training, consensus building and dissemination). The result has been a collection of a fairly large number of (mostly) useful activities, but a coherent thrust that would optimize policy impact has been lacking.

Conclusion #12 There is no clear strategic framework or specific criteria used for the selection of activities to be funded within the context of the GOP's overall development policy priorities.

Lessons learned

Lesson #1 A project providing a flexible quick-response mechanism to allow government agencies to address critical issues as they arise in the process of articulating and implementing policy reforms is a valuable element of overall development assistance.

Lesson #2 Properly used, such a project can advance USAID/Peru's policy reform agenda by addressing priorities within selected Strategic Objectives, and complementing policy work within Strategic Ob-

jectives by focusing on cross-cutting themes and areas of common priorities. If the necessary process of review and guidance across various Strategic Objectives is too cumbersome and ineffective, given time and resource constraints within the SO Teams for such functions, a focus on a single Strategic Objective is essential.

Lesson #3 This type of project places a premium on strategic management procedures to ensure a common understanding of priorities and procedures among all participants. Since policy priorities change over time, especially in a period of rapid transition, such a project needs a built-in capability to review specific objectives and areas of concentration, and revise them as necessary on a continuing basis. Without this capability for strategic management, objectives once appropriate may no longer apply, allowing for a softening of the project focus, and the possible inclusion of activities that may be valuable, but do not reflect current policy priorities.

Lesson #4 To realize the potential of such a project as a vehicle for strengthening its policy dialogue with the GOP and advancing its policy agenda, USAID/Peru needs to maintain direct control over whatever structure is used to set and monitor substantive direction for the project, and to ensure adequate human resources for both technical and administrative tasks. A "hands-off" approach entails the risk of spending assistance resources on activities that relate marginally to the Mission strategy. Relying primarily on USAID-funded counterparts for strategic leadership complicates matters, because that group is neither fully part of the GOP structure, nor subject to USAID oversight. The project management structure that has emerged under the PAPI project has proved ineffective for promoting USAID/Peru-GOP policy dialogue.

Lesson #5 If a '*ronda*' system is used in this type of project (that is, selection of activities from requests after solicitation), proactive outreach is required to encourage submissions that reflect policy priorities, and to make certain that potential applicants have a clear understanding of these priorities and the associated selection criteria.

Lesson #6 Even in a '*ronda*' system, a mechanism should be put in place to allow for more programmatic support (follow-up or the combination of research, training, consensus-building and dissemination) in appropriate situations.

Lesson #7 Technical guidance and monitoring as well as administrative guidance should be straightforward and simple, thus reducing costs and confusion and facilitating better internal communications and closer monitoring by USAID/Peru.

Lesson #8 In the Peruvian context, funding public and private sector activities under one Project Grant Agreement, but separating the entities supervising the activities, has the potential of creating friction and hampering rather than promoting constructive policy dialogue between the two partners. That may be less of an issue if both technical direction and administration are more closely controlled by USAID/Peru itself.

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Glossary

AFPs	—	Pension Fund Administrators
BCR	—	Central Reserve Bank (BCR)
BIDE	—	Boston Institute of Developing Economies
CIAEF	—	Inter-ministerial Committee for Economic and Financial Affairs
CONASEV	—	Stock exchange supervisory commission
CONFIEP	—	National Confederation of Private Business Institutions (<i>Confederación Nacional de Instituciones y Empresas Privadas</i>)
DEG	—	Developing Economies Group
DCU	—	Donor Coordinating Unit
EOPS	—	End-of-Project Status (EOPS)
GOP	—	Government of Peru
IC	—	Institutional Contractor
IMF	—	International Monetary Fund
INP	—	National Planning Institute
IR	—	(USAID) Intermediate Results
MEF	—	Ministry of Economy and Finance
PACD	—	Project Assistance Completion Date
PAPI	—	Policy Analysis, Planning and Implementation [project]
PIL	—	Project Implementation Letter
SGPR	—	General Secretariat of the Presidency of the Republic (<i>Secretaría General de la Presidencia de la República</i>), also referred to as SEP in early project documents
SMEs	—	small and medium-sized enterprises
SO	—	(USAID) Strategic Objective
SUNAD	—	<i>Superintendencia Nacional de Administración de Aduanas</i>
SUNAT	—	<i>Superintendencia Nacional de Administración Tributaria</i>
TU	—	Technical Unit
UNDP	—	United Nations Development Program
USAID	—	US Agency for International Development, sometimes also referred to as A I D

1.0 Introduction

1.1 Background

On September 29, 1990, USAID/Peru and the Government of Peru (GOP) signed a Project Grant Agreement for the Policy Analysis, Planning and Implementation Project (PAPI). The Agreement provided for up to \$7.15 million for a range of activities to support economic policy reform in the country, with a Project Assistance Completion Date (PACD) of March 30, 1995.

The design of the project focused on *responding* to requests from a broad range of government agencies, as well as the private sector, for assistance in various activities related to economic policy formulation and implementation. Eligible activities comprised primarily studies, training, and dissemination efforts, and limited institutional capacity building. On the public sector side, the project Agreement identified the Ministry of Economy and Finance (MEF), the National Planning Institute (INP), the Central Reserve Bank (BCR), and the General Secretariat of the Presidency of the Republic (*Secretaría General de la Presidencia de la República*, SGPR)¹ as primary counterparts. An Inter-ministerial Committee for Economic and Financial Affairs (CIAEF) was to serve as the project's "Board of Directors." The CIAEF had the responsibility for project planning, establishing priorities, and approving annual and quarterly plans. The SGPR was designated as the lead implementing agency, responsible for receiving, reviewing, prioritizing and assisting in the implementation of requests for technical studies/assistance and training, and for "assuring the quality standards of all project-related assistance." The Project Grant Agreement also provided for a Technical Unit (TU) established and financed under the project to support the SGPR in carrying out its project-related functions. The principal counterpart on the private sector side was the National Confederation of Private Business Institutions (CONFIEP).

The Project Grant Agreement provided for a long-term contract with a private firm, the Institutional Contractor (IC), responsible for responding to requests for assistance by planning and organizing project activities, contracting specialized technical and training personnel, and administering project resources. The Project Grant Agreement also specified technical assistance/studies for supporting the establishment of a donor coordinating unit (DCU), charged with the responsibility of coordinating other donor activity (such as the Inter-American Development Bank, the UNDP, and the World Bank).

1.2 A brief history of the PAPI project

The project started officially in March 1991, with initial activities managed directly by USAID/Peru and the SGPR's Technical Unit to avoid delays in project start-up while waiting for the selection and arrival of the Institutional Contractor. Channeling project resources through a direct USAID/Peru implementation line item, the project financed studies requested by the Ministry of Economy and Finance. During this period, the PAPI project was the only source of funds available to help the GOP in the design and implementation of its economic reform program aimed at macroeconomic stabilization, which included its negotiation of a Rights Accumulation program with the International Monetary Fund (IMF). At that time, arrears with the World Bank group made Peru ineligible for receiving financing from those sources.

In March 1992, USAID/Peru awarded the contract for the Institutional Contractor activity to the Developing Economies Group (DFG), a joint venture of Development Alternatives, Inc. and the Boston Institute

¹ The Project Grant Agreement actually uses the designation Secretary of the Presidency (*Secretaria de la Presidencia* SEP).

of Developing Economies (BIDE) ² Before the resident IC team members could move to Peru, however, the political events of April 5, 1992 (the closing down of Congress) led to a suspension of US government-to-government assistance to the GOP, putting the IC component on hold

The PAPI project did continue support to private sector initiatives through CONFIEP, using remaining funds in the direct USAID/Peru implementation line item. The project also supported limited training to support the GOP's privatization process and enhance the economic knowledge of members of Congress

In December 1992, USAID/Peru approved resumption of full implementation of the project, including the deployment of the IC. The Deputy Chief of Party of the IC started work, and some activities proceeded, but security concerns delayed the clearance for permanent residence in Peru for the IC's Chief of Party. He finally arrived in September 1993, three years after the Project Grant Agreement had been signed. The training officer of the IC also started work in September 1993. Since the use of most of the PAPI project funds was dependent on an approved work plan,³ as well as its supervision, implementation of the full range of project activities did not start until late 1993.

A mid-course evaluation of the PAPI project in August 1994 confirmed USAID/Peru's concerns about overly complex project implementation procedures, as well as about the imbalance between administrative costs and resources made available for project implementation. The evaluation recommended refocusing the project on new policy priorities and streamlining its administrative procedures, if the project were to be extended. In Amendment No. 5 to the Project Grant Agreement, signed in March 1995, USAID/Peru and the GOP agreed on an extension until March 31, 1997,⁴ and shifted most of the technical responsibility for project implementation on the public sector side to the Technical Unit, which was brought back to its original strength by the addition of two economists,⁵ limiting the IC to administrative support.⁶ The Institutional Contractor continues to provide both technical guidance and administrative support to the private sector counterpart, CONFIEP.

1.3 The mandate for this evaluation

As the PAPI project draws to a close, the task at hand is to assess the performance of the project in terms of contributions to the Government of Peru and the private sector in their efforts to develop sound economic policies and in terms of the efficiency of the project's structure and management. More specifically, the evaluation of PAPI is to assess (a) the performance and impact of PAPI project activities, particularly technical assistance, in achieving project objectives (impact on economic policy reform), (b) progress achieved by the project in developing the capability to carry out its intended functions, (c) the appropriateness of the basic project design, and (d) lessons learned from this project. The evaluation will cover overall project implementation from inception, but will place special emphasis on

² The contractor team also included Development Associates as a subcontractor, with the result that each of the three resident team members was an employee of a different company.

³ There are some different interpretations about this point. Under the terms of the Project Grant Agreement, the institutional contractor was responsible for administering project resources (other than those in the direct USAID/Peru implementation line item). At the same time, the CIAEF, which had the responsibility for approving annual and quarterly plans, had met only once in April 1993 and thus had not approved any plans or projects after that date. Project Implementation Letter No. 8 (July 30, 1993) removed the requirement of CIAEF approval and made it possible to move forward on activities.

⁴ Since then, the PACD has been extended to June 30, 1997, and is likely to be extended further to December 31, 1997.

⁵ The Project Grant Agreement stipulated that the Technical Unit be staffed by a Chief Economist/Coordinator and two experienced economists. That was the staffing from 1991 to 1993. In 1993, USAID limited support to financing the TU chief. Amendment No. 5 in 1995 restored funding and allowed for the hiring of two economists.

⁶ Most of the key changes in Amendment No. 5 had already been stipulated in Project Implementation Letter No. 8 issued July 30, 1993, but the contract with the Institutional Contractor had not been amended to reflect these changes until 1995.

phasis on events that occurred after completion of the mid-course evaluation which was undertaken in August 1994

The evaluation is to address the following items

A Performance and impact

- 1 How does actual project performance compare to design plans for achieving the project purpose of improving GOP economic policy formulation? To what extent has the project accomplished its stated purpose? Summarize project accomplishments to date. Has the project addressed priority economic policy concerns of the GOP and the private sector? What has been the project contribution to the achievement of USAID/Peru's Strategic Objectives? The team should clearly identify the external factors that influenced the project's successes or failures
- 2 In regards to GOP implementation of policy recommendations, have the project's policy-related studies been sufficiently focused and applied to achieve the project's policy dialogue and reform goals? Have the training activities carried out in support of the public and private sector had the proposed impact? How effective and opportune have been the implementation of policy studies and training activities in relation to the GOP needs?
- 3 Review the impact, direct or indirect, of the technical assistance provided by PAPI to the GOP and the private sector through
 - the SGPR/Technical Unit
 - CONFIEP
- 4 Is the project's evaluation and monitoring system linked to USAID/Peru's Strategic Objectives and Intermediate Results? Assess the appropriateness of the quantitative and qualitative methodologies used to measure the impact of the technical studies/assistance and training components on local and national development, and on the achievement of USAID/Peru's Strategic Objectives? If not deemed appropriate, what alternative methodologies are recommended?
- 5 Now that other projects of USAID/Peru are supporting policy activities in health, environment, etc., and other donors are supplying financial resources to the GOP in far greater amounts than the PAPI project is, what is PAPI's competitive advantage relative to these other interventions?

B Management and implementation

- 1 What is the role of the project Implementing Units — SGPR and CONFIEP? Do they provide guidance on project implementation and overall direction of the project and long-term strategic planning?
- 2 Does the project's present organizational structure facilitate or hamper implementation of the activities, i.e., technical studies/assistance and training? Is the organizational structure effective? If deemed ineffective, how can the structure be enhanced?
- 3 Opine on how effective has the cooperation been between the IC and the TU, in working among themselves, and with the SGPR, CONFIEP and USAID/Peru, as well as the Ministries, other GOP sectoral participants, and CONFIEP-affiliated associations?
- 4 Are project financed human resource levels adequate for project management and implementation? Are project staffing levels sufficient for achieving project objectives? Is the chain of command appropriate? If not, what actions can be taken to enhance

USAID/Peru project management/coordination?

The liaison of the Technical Office with GOP sectors?

- IC implementation of project activities?

- 5 Review the procedures employed under the PAPI project to prioritize technical studies/assistance and training proposals. Have they resulted in studies and training that address priority economic policy concerns of the GOP and the private sector?
- 6 Assess the effectiveness of project implementation procedures regarding
 - submission of activity proposals,
 - length of the review process and selection of proposals to be implemented,
 - preparation of terms of reference for policy studies and training requests
 - initial preparation by individual public sectors
 - later refinement by project staff,
 - convocation for competition,
 - budget negotiation and assignment per activity,
 - selection of consultants and training providers,
 - terms of the conditions stated in the consultants' contracts,
 - completion of consultant reports or training programs, and
 - GOP implementation of policy actions based on study findings and recommendations

C Lessons learned

Lessons learned should be clearly stated. These should (a) include a discussion of the design, techniques or approaches employed in carrying out the PAPI project that proved effective and likely to be of prospective use, (b) of those that were not effective and should be changed, and how, and (c) address the effects of the project's activities on major Peruvian and USAID/Peru institutional relationships.

1.4 The evaluation approach

The evaluation team comprised two members, a development economist and an institutional development specialist, who spent about 15 days in Lima for data collection, analysis and drafting of a work plan and of the evaluation report. Given the tight time frame for the evaluation, the approach consisted of a combination of interviews with key informants and review of documentation. The team also used special tabulations of characteristics of PAPI-supported activities from the Institutional Contractor and carried out some limited analysis of the available data. The approach reflects the requirements of the Scope of Work. It is further described in the Workplan submitted to USAID/Peru three days after the team arrived in Lima (Annex B).

The team worked with USAID/Peru in identifying the appropriate key informants. Mission staff set up the actual interviews.

2.0 Achievement of objectives — Performance and impact

2.1 Design objectives and implementation structure

According to the original Project Grant Agreement, the goal of the Policy Analysis, Planning and Implementation project was “to bring about economic stabilization and build the foundation for renewed growth through improved economic policies.” Its purpose was “to assist Peru in the development of sound economic policies, facilitate policy dialogue, and strengthen the policy making process.” The Project Grant Agreement referred to the PAPI project as a “fundamental element of A I D’s Counternarcotics Strategy for Peru.”

The Project Grant Agreement highlighted the primary objectives of its overall strategy

- (1) assist Peru in stabilizing the economy,
- (2) provide the foundation for sustained economic growth with emphasis on the productive private sector, and
- (3) help create viable employment opportunities for disenfranchised, marginal income populations, and for the re-entry of rural workers previously involved in coca production into the legal workforce

Thus, the PAPI project was created with the idea of assisting the government in achieving the goals of stabilization, orienting its initial program of studies toward that purpose. The objectives of the government focused on correcting price distortions, reducing the negative prospects for investment, redefining the role of the participation of the State in the economy, reestablishing the level of foreign reserves, and achieving the reintegration of the Peruvian economy into the world financial markets. With these measures the government hoped to create a framework for generating sufficient growth in the medium term. At the time of the project design, the environment left little doubt as to strategic priorities — the urgency of the stabilization task overshadowed all other issues.

Since then, project objectives have been realigned with USAID/Peru’s emerging Strategic Objectives (see Annex A). Amendment No. 5 to the Project Grant Agreement, signed in March 1995, provides the most recent statement of the End-of-Project Status (EOPS) sought

- Increased policy analysis capacity of the public and private sectors
- Major GOP economic and social policy-making decisions influenced by PAPI’s technical studies/assistance
- Improved public-private sector policy dialogue

2.2 Emerging priorities in the Government’s agenda

Before we examine the objectives of the PAPI project and the extent to which they have been achieved we need to consider the project context which has shaped objectives and defined opportunities and constraints. Peru has undergone profound changes in its economic policies during the last six years — from the more populist policies of the Garcia Administration to a greater market approach by the Fujimori Administration which took office in July 1990.

The Peruvian authorities have made significant strides over the past several years by leading the country back from the chaotic environment of the late 1980s and early 1990s — stabilizing the economy, re-

storing economic growth, reducing state intervention in domestic markets, curbing the internal security threat of terrorism, and making tangible inroads in addressing the needs of those living in poverty

During the first half of the 1990s, Peru experienced a dramatic turnaround in its economic performance. The end of the preceding decade had been characterized by hyperinflation which contributed to a sharp drop in per capita GDP of some 30 percent, bringing the country back to the level of the early 1960s. The economic program of the incoming Fujimori administration sought to correct drastically the distortions in relative prices by lifting price controls and cutting subsidies, to impose fiscal discipline, and to pursue monetary policies aimed at price stability. A series of structural reforms complemented the stabilization efforts to improve resource allocation, promote the exploitation of the economy's comparative advantage and remove obstacles to private investment and economic growth. Structural adjustment included the privatization of state-owned enterprises, the liberalization of trade and financial markets, the establishment of clear rules of the game for foreign investment, and the deregulation of labor markets.

The stabilization program

The principal measures of the government's stabilization program included

- The limitation of public expenditures to the level of fiscal receipts and external financing available, eliminating the domestic financing of the deficit,
- The strengthening of tax administration, including measures against tax evasion and the restructuring of the tax system to focus on five tax sources — income, wealth, value added, selectively on consumption and imports. The creation of the *Superintendencia Nacional de Administración Tributaria* (SUNAT) as an independent institution to strengthen the collection of domestic taxes was a key element of the reforms. Similarly, the customs administration was completely restructured.
- The elimination of subsidies on public services and petroleum products, with the subsequent liberalization of fuel prices. Since the price adjustments in 1990, pricing policy is aimed at maintaining levels that reflect real values.
- The elimination of price controls, leaving price determination to market forces.
- The elimination of restrictions on salary policies to allow wages to reflect budgetary constraints.
- The dismantling of multiple exchange rates and the establishment of a single floating exchange rate.
- The application of a strict monetary policy aimed at reducing inflation, the gradual remonetization of the economy and the recovery of net foreign reserves. In addition, the government liberalized interest rates and introduced legislation to prohibit public sector financing by the Central Bank.

These measures have succeeded in triggering an impressive economic recovery. The annual inflation rate dropped from 7,650 percent in 1990 to 15 percent in 1994, and 10 percent in 1995, according to recent data, 1996 registered an 11.8-percent inflation rate. The recovery also halted the slide in incomes. Per capita GDP began to increase in 1993 at 6.5 percent, and grew at 13 percent in 1994 and 7 percent in 1995. In response to a deteriorating external accounts position in 1995, the authorities tightened monetary and fiscal policy and economic growth moderated, total GDP growth fell to 2.8 percent in 1996, and per capita GDP increased by only 0.8 percent. With GDP expected to grow at approximately 5 percent in 1997 and 1998, accompanied by inflation in the single digits, sustainable growth over the medium to long term appears within reach.

Beyond stabilization

While progress has been impressive, much remains to be done to raise income to earlier levels and beyond. Estimates for 1994 indicated that only 17 percent of the labor force are adequately employed, 74 percent are underemployed and 9 percent are openly unemployed. Moreover, Peru's income distribution is among the most uneven in Latin America. The poor, who make up approximately half of the country's population, receive less than one third of the national income, the poorest fifth of the population receives only 5 percent of the total income.

Given the progress on the stabilization front, other concerns have moved to the top of the government's economic policy agenda, structural adjustment and the fine-tuning of economic policies, efforts to address the employment problem, support to social sectors, and public sector reform. While the evaluation team cannot claim any reliable insights into the GOP's policy agenda, we also noted that decentralization is receiving considerable attention in a number of sectors.

Fiscal reforms resulted in increased tax revenues, from 4.6 percent of GDP in the first half of 1990 (5.9 percent in the second quarter of 1990) to 13 percent in 1994 and 13.7 percent in 1995, which of course is still low by international standards. The target is to raise this percentage to 17 percent within the next few years. A fundamental element of improving tax collection was the intervention of SUNAT after the adoption of fundamental reforms that include the simplification of formalities of assessment and payment of taxes. In the case of SUNAT, the PAPI project has assisted with studies concerning the design and implementation of new approaches to uncover tax evasion, such as a method based on input-output coefficients (*insumo-producto*). This method uses knowledge of input requirements in specific industrial production processes to determine whether reported input costs are reasonable relative to production. On the customs side, the *Superintendencia Nacional de Administración de Aduanas* (SUNAD) has also succeeded in improving collection.

The rationalization of the public sector made it possible to rein in public expenditures. Investment increased from 16.5 percent of GDP in 1992 to 24 percent in 1995, primarily driven by private investment, while national gross savings increased by roughly 5 percentage points.

2.3 USAID/Peru's evolving strategic framework

As the GOP's economic policy priorities have evolved over time, so has USAID/Peru's development strategy. This strategy currently comprises four Strategic Objectives (SO) and a Special Objective. The Strategic Objectives and the associated Intermediate Results (IR) and their indicators for FY 1997-2001 are shown in Annex A, but they continue to evolve.

The set shown in Annex A reflects some developments from the one used in recent assessments of the contribution of PAPI project activities to individual SOs and Intermediate Results in the most recent annual report of the Technical Unit for the period ending March 1997,⁷ as well as a special tabulation prepared by the USAID/Peru Project Manager, dated February 5, 1996, the most recent statement of project-specific objectives in Project Grant Agreement Amendment No. 5 of March 1995 also shows a different set of Strategic Objectives.⁸ The outline of the current structure of the Mission's Strategic Objec

⁷ It may not matter all that much, but it is worth noting that the Technical Unit, charged with technical guidance for the PAPI project, continues to work with a set of Strategic Objectives that is by now over a year out of date. It illustrates the point made below that monitoring of PAPI project accomplishments is not adequately tied into the overall results monitoring of the Mission.

⁸ The Project Grant Agreement Amendment lists the following five Strategic Objectives of the Mission:

- (1) Increased participation of citizens in democratic processes
- (2) Improved health of high risk population
- (3) Increased food security of the extremely poor

tives and associated Intermediate Results and their indicators provides a background for an assessment of the substantive actual and potential contributions of the PAPI project, given the evolution of the strategic framework over the life of the project, attempting to trace individual SO/IR-specific results and impacts for each of the activities financed would be inappropriate

2.4 Overall project impacts and achievements

The overview of findings regarding the impacts of the PAPI project, how it has affected its context, is organized around the key questions in the mandate for this evaluation. Section 3 addresses questions related to management and process.

2.4.1 *Articulating and implementing policy reforms*

On balance, the PAPI project appears to have achieved an impressive record in helping GOP entities (as well as private sector organizations) to articulate, design and implement policy reform measures in a wide variety of sectors. The PAPI project has provided finance and other support to activities including

- exploratory policy studies,
- preparation of legislative texts and other implementing documentation,
- strategic management exercises (institutional development),
- both local and external participant training, and
- dissemination efforts

On the public sector side, the evaluation team's GOP interlocutors who had received support under the PAPI project for various activities characterized the contribution virtually unanimously as useful. According to these representatives, the PAPI-supported activity either enabled the respective GOP entity to carry out some intellectual groundwork before launching into new policy initiatives (e.g., articulation of a comprehensive policy for promoting small and microenterprises⁹), to meet a particular gap in terms of expertise or resources to complement a policy program under way (e.g., drafting of legislative or regulatory texts), to train key personnel in new technologies or approaches, or to develop new policies in a participatory manner, emphasizing consensus-building activities.

We have reached the conclusion of significant contributions by PAPI-supported activities in full recognition of the difficulty of attributing broader policy outcomes to specific interventions. Because of this difficulty, we approached this crucial issue with a considerable deal of skepticism regarding asserted linkages. Certainly, some of the claims of policy impacts of PAPI-supported activities in the available documentation may not be commensurate with the scale of these efforts. For example, we suspect that a \$19,000 study of new financial instruments for the Peruvian securities market is unlikely to account by itself for a range of specific market development measures cited in a project report such as ¹⁰

- regulations governing the issue of subordinate bonds (*Bonos Subordinados*) by banks and other financial institutions,

(4) Increased incomes and employment of the poor and

(5) Improved environmental and natural resource management

This differs from the current set primarily in terms of Strategic Objectives 3 and 4 which now have been combined.

⁹ Cf. *Lineamientos Básicos de Política para la Promoción de la Pequeña y Micro Empresa* (MITINCI ppme) December 1996

¹⁰ Cf. Unidad Técnica *Informe de Situación de Proyecto PAPI al 30 de Setiembre de 1996* Tomo I p. 36

- authorization for AFPs to invest in these bonds,
- regulations governing the issue of Public Treasury Bonds,
- changes in regulations governing mutual funds and their managers,
- changes in the commission that CONASEV charges,
- provisions regarding rating organizations,
- regulations concerning disclosure and continuing responsibilities of share issuers, and
- regulations regarding the treatment of shares issued abroad

While the study may have touched in some form on all of these aspects, it is reasonable to assume that considerable prior and subsequent effort was involved in bringing all of these regulatory actions to fruition

The preparation and implementation of policy reform involves many sources and many activities, and association does not mean causality in achieving certain outcomes. Yet although we still question some of the more ambitious claims, we came away from our series of interviews persuaded that PAPI project support has made a difference in many instances in accomplishing policy reform tasks.

At the same time, we also feel that linkages to policy reform have been rather tenuous in some of the activities. For example, training of education personnel in the provinces in evaluation techniques may be a very valuable complement to other reforms in the education sector, but taken by itself, appears somewhat removed from the core concerns of the project design. In the absence of an appropriate strategic framework, it may be possible to construct a justification for such activities, but it remains difficult to see how they add up to a coherent whole.

2.4.2 The project's "competitive edge"

In probing on the PAPI project's "competitive advantage" in the eyes of GOP users and decision makers, we heard a remarkably consistent message: there are no other funding mechanisms or sources that allow for the kind of focused response possible through the flexible PAPI project support structure. We heard two main reasons. First, the type of policy work that PAPI was designed to support, both analysis and training, often has not received sufficient attention in program design and funding through the GOP budget, other donor activities, or other USAID initiatives.¹¹ The PAPI Project has allowed GOP entities to respond to policy analysis and training needs, such as the preparation of needed legislative texts or policy articulations, *as they arose*. Typical budgeting procedures for the GOP and for donor-funded activities preclude such focused responses.

A few of the officials we interviewed indicated that they might have been able to fund the particular activity from other sources, but cited likely delays and relatively cumbersome procedures as obstacles. In this view, the PAPI project's approach of examining a particular activity proposal on its own merits rather than within a comprehensive programmatic context, became an advantage. It allowed activities to move forward that had merit in the eyes of the officials concerned, but were not covered in the framework of more comprehensive programs that had funding.

In some instances, PAPI Project support also allowed GOP entities to address policy issues that overlapped several program areas, but did not fall completely under any one of them. In these cases, Project assistance allowed for a coherent and comprehensive treatment of cross-cutting issues.

¹¹ As USAID/Peru's activities are increasingly organized around Strategic Objectives, funding for the typical PAPI Project activities has become available under each SO.

Second, some of our respondents indicated that activities supported by the PAPI Project were critical in the early stages of policy formulation, in their gestation period. The Project enabled GOP entities to explore specific policy issues before there was any programmatic commitment. A "steady-state" budget, will provide for these kinds of exploratory efforts, but budgets in a period of overall policy reform and transition are unlikely to meet needs. In this context, the PAPI Project support has at times functioned as "seed money," to prepare and launch programmatic efforts consistent with policy reforms.

2.4.3 Promoting policy dialogue between the private and public sectors

A vibrant market economy depends in large part on the ability of the private and public sectors to engage in constructive dialogue, to explore policy options and to ensure participation in the design and implementation of effective market-oriented policies. In economies without a strong market tradition, typically characterized by concentrations of power in whatever private sector exists, relations between the state and private enterprise are often marked by uneasy accommodation or confrontation rather than constructive dialogue. In the course of economic policy reform, the private sector therefore has to learn to play an advocacy rather than an adversary role vis-à-vis its public sector counterparts. The PAPI project therefore has devoted a share of its resources (target: 20 percent of the total) to help private sector institutions understand policy issues better, prepare their own analysis of the options on the table, and present its positions to stakeholders and decision makers in both the public and private sector.

For its support to activities to strengthen the private sector's advocacy role, the PAPI project has adopted an approach different from that for public sector activities. It has established a partnership with CONFIEP as a private sector umbrella organization, as its lead counterpart. CONFIEP was selected because it represents a broad range of Peruvian business organizations. Founded on September 11, 1984, CONFIEP currently numbers among its members 21 associations and 88 chambers of commerce from various provinces, representing some 15,000 enterprises nationwide. Given the relative inexperience of the private sector in articulating policy positions and presenting them in the framework of a constructive dialogue, the Institutional Contractor has played a more active role in providing technical guidance, in addition to administrative support.

From what we have seen and heard, the PAPI project has contributed significantly to strengthening CONFIEP's performance as an advocacy platform, establishing and presenting private sector contributions to the policy debate. Under PAPI project sponsorship, CONFIEP has conducted a series of national seminars on topics such as tax policy, resources ownership, exchange rate policy, unfair trade practices, labor, or environmental issues. Many of these seminars or '*conclaves*' have taken place in the provinces to support decentralization in the context of CONFIEP's efforts to strengthen regional private sector organizations, such as Chambers of Commerce. The project also financed a national survey of some 600 enterprises across the size spectrum on the 'Perceptions of Entrepreneurs of Structural Reforms in the Country.' This survey enabled CONFIEP to reach a better understanding of the views of its constituency on the direction and progress of structural economic reforms.

CONFIEP does not represent the private sector. Its members can have different positions on particular policy issues. Nor does it see its role as a lobbying organization. Rather, it provides a forum for articulating and exploring private sector views and reactions regarding a broad range of economic policy issues.

Yet while we believe that the PAPI project has strengthened CONFIEP's leadership role in the public policy debate, we have few indications that the events supported by the PAPI project themselves have been occasions for constructive policy dialogue. According to our interlocutors, attendance of public sector decision makers at the *conclaves* has been limited, and their participation in the discussions and debates has been negligible. This pattern has been due to a natural reticence on the part of government

officials to take positions in a public forum, but it has also been a consequence of the less than satisfactory working relationships between the public and the private sector components of the PAPI project

2 4 4 Technical quality

We have not had the opportunity nor time to review any of the studies or other documents prepared with support from the PAPI project in any detail. In our interviews, however, we found general satisfaction with the technical quality of the studies and other activities supported by the PAPI project. There were a few exceptions when the responsible government officials expressed some reservations about the outcomes of a particular activity. In these cases, they assumed responsibility for the outcome, since they had been involved in the selection of the consultants. In one or two instances, our interlocutors blamed USAID regulations (essentially the practice of basing remuneration on salary history) for forcing them to settle for "second best." We have no basis for judging these claims, but prudent contracting procedures often involve tradeoffs between quality and price. Moreover, USAID regulations require suitable justification of proposed fees and set ceilings on these — something that often seems to cause confusion and consternation in countries in which USAID is active.

2 4 5 Integration with USAID/Peru's policy agenda

The design of the PAPI project predates the establishment of the Strategic Objectives and Intermediate Results framework. In addition, this strategic framework has been evolving which makes for a (somewhat) moving target. Even so, it is reasonable to expect that a policy-oriented project be responsive to the strategic priorities of USAID/Peru within the overall policy priorities of the Government of Peru.

There are a number of documents purporting to show the contribution of the PAPI project activities to the achievement of USAID/Peru's Strategic Objectives. Even so, our discussions with Mission personnel, especially the Strategy Objective Team Leaders, suggest that these contributions have been almost serendipitous, rather than the result of a coherent effort to leverage the PAPI project's resources in pursuing Strategic Objectives. Overall, SO Team Leaders indicated that time constraints and work pressures usually limited their ability to conduct a thorough appraisal of requests for PAPI project support. The PAPI team has cited the lack of inputs and comments from the SO teams as a problem. As a result, we found relatively little awareness of any relevant accomplishments under the PAPI project.

In at least one instance, the Mission found out that it was supporting two similar efforts in the same area (environmental policy), one through the PAPI project, the other with SO-specific resources. Unfortunately, the two activities approached the problem in different ways, presenting the GOP with two incompatible approaches to strengthening the environmental policy framework. According to the SO Team Leader, efforts to bring the PAPI-supported activity in line with the Mission's policy agenda in this critical area failed. We understand that the GOP opted to pursue the approach proposed by the consultants working directly with the Mission's SO Team.¹² Another study fit much better into USAID/Peru's environmental policy agenda. An assessment of the 'Environmental Impact of the Fisheries Sector,' conducted for the Ministry of Fisheries, provided the basis for provisions concerning environmental protection in a new General Fisheries Law (R.M. 208-96, dated April 5, 1996).

In another case, a PAPI-supported activity did provide a valuable complement to the Mission's policy dialogue with the GOP. The PAPI project financed a comprehensive review of the country Sanitary Code

¹² The PAPI Project Manager noted that the PAPI consultants are currently working with the GOP on the implementation of proposals.

This review resulted in improvements in the legal framework. The Code now meets modern standards, facilitating better sanitary control. Similarly, the PAPI project supported an assessment of approaches to focus basic social expenditures in the health sector, a topic of interest to both Strategic Objectives #2 and #3.

In the area of microenterprise development, a particular concern for SO #2, the PAPI project allowed for some programmatic follow-up to policy articulation (see example in Section 2.4.1). The PAPI project financed a study on "Strategies for the Development of Mechanisms for Subcontracting and Forming Consortia" as an approach to enhance the performance of small and medium-sized enterprises (SMEs) in production and marketing, including exports. The study formed the basis for proposed legislation to facilitate and support these mechanisms. Previous legislation did not grant the kind of legal protection to consortia of SMEs needed for engaging effectively in export markets.

One cross-cutting theme in the activities supported by the PAPI project, both on the private and the public sector side, has been *decentralization*, a major issue under Strategic Objective #1. Several of these activities have reached out into the provinces, in support of decentralization programs. Yet we found little indication that these efforts were considered as significant in the pursuit of the Mission's SO #1.

In terms of the integration of the PAPI project into the Mission's overall performance monitoring system, our reading of the indicators for each of the Strategic Objectives and their Intermediate Results, and cross-referencing them with the outcome measures for PAPI-supported activities that we have seen, suggests few if any direct linkages. We believe, though, that potential linkages exist, especially in such areas as Intermediate Result #1.3 (Local governments more responsive to constituents), IR #2.2 (Increased market access for the poor), IR #2.5 (Increased production/productivity), or IR #4.5 (Sound environmental policies established and effective legislation enacted). Incorporating these linkages into the PAPI project monitoring system requires of course that the project uses the current set of Strategic Objectives and indicators. As we have noted, the Technical Unit, charged with technical direction and oversight, is currently working with a set that is about a year out of date.

While significant linkages to the Strategic Objectives and Intermediate Results exist, we are also struck by the fact that a number of activities supported by the PAPI project, including activities now under way (such as training in educational evaluation), do not appear to fit well into any of the Strategic Objectives or Intermediate Results.

Overall, the project's wide range of activities makes some significant contribution in the pursuit of Strategic Objectives of course almost inevitable. Yet we believe that more proactive management is required to ensure that project activities fully reflect the strategic priorities of the Mission within the broader framework of the GOP's development policies. We understand that the project is now placed within the context of SO #2, to us, that focus is appropriate and fully consistent with the thrust of the policies pursued by the Peruvian authorities.

2.4.6 End-of-Project Status

Amendment No. 5 to the Project Grant Agreement confirmed a set of ambitious objectives for the end-of-project status — improved policy analysis capability, impacts on *major* economic and social policy decisions, and improved private-public sector policy dialogue.

It is difficult to ascertain whether capabilities for policy analysis have improved. By definition, capabilities refer to potential, whether latent or realized. In terms of performance in policy analysis, we have found some indications of gains within the context of the project itself. We were told that the number of requests for assistance has increased significantly, and that their quality has improved. These trends appear to constitute *prima facie* evidence for some achievements on the first EOPS criterion that may be

attributable to the project. However, over the six years of the PAPI project's existence, much has changed in the public and private sector environment. Many of these changes, exogenous to the project, may have put greater pressure on performance in the design and implementation of policies.

In terms of impacts on major economic and social policy decisions, we see some accomplishments, as outlined in Section 2.4.1, although we need to stress again that one cannot unequivocally attribute broader policy outcomes to particular interventions. The PAPI project has moved away somewhat from the 'major economic and social policy decisions,' and has focused more on the 'working level' policy implementation. The participation of several of the key economic decision making bodies, such as the Ministry of Economy and Finance and the Central Reserve Bank, in project-supported activities has been negligible in recent years. This evolution reflects both shifting policy concerns, with an effective macroeconomic policy framework now in place, and increased access to other sources of funding for broader development policy analysis and design.

Impacts on major economic and social policy decisions have also been held in check by the somewhat disjointed nature of the activities supported by the PAPI project. The selection of activity requests has put little emphasis on programmatic consistency and coherence over time. This policy does not appear to reflect any inherent project constraint, but has emerged from the way the project has been managed. As a result, there has been little follow-up that might have contributed to deepening or broadening project impacts in one particular area of economic or social policy.

The PAPI project record in improving the private-public sector policy dialogue is not convincing, as discussed above. In our view, this outcome is largely a consequence of the structure and internal dynamics of the PAPI project.

2.5 Conclusions

Conclusion #1 The project has contributed appreciably to the design and implementation of policy reform.

Conclusion #2 The project has enabled GOP entities to address issues and needs that were difficult to deal with under other funding vehicles, and has offered a flexible and quick-response mechanism for responding to these needs that is rare in the panoply of support options.

Conclusion #3 The project has contributed to the emergence of a private sector advocacy role, but has failed in establishing a satisfactory dialogue between its own private and public sector activities.

Conclusion #4 On the whole, project activities have been technically sound.

Conclusion #5 Project activities have not been sufficiently integrated into the overall pursuit of policy priorities within the USAID Mission.

Conclusion #6 The PAPI project's achievements in terms of its EOPS criteria (outlined in Amendment No. 5 to the Project Grant Agreement) have been uneven.

3.0 Organizational structure, management and implementation

3.1 Management structure of the PAPI project

3.1.1 The original structure

When designed in 1990, the PAPI project placed coordination of public sector activities within the Office of the Secretary General of the Presidency of the Republic, with support of a Peruvian Technical Unit, and placed coordination of activities to support private sector initiatives with the National Confederation of Private Sector Institutions. Under the 1990 Project Grant Agreement, the PAPI project was to have two Peruvian implementing agencies. A Technical Unit, under the supervision of the SGPR, was to serve as the implementing agency for project technical support to the public sector, while CONFIEP was to be the implementing agency for project activities in the private sector.

In addition, in order to identify needs and approve requests for assistance from public sector entities, the structure also provided for an Interministerial Committee for Economic and Financial Affairs, which was to be responsible for approving the TU's quarterly and yearly plans. Furthermore, the project design included the establishment of a consultative council comprising the Secretary of the Office of the President, the Prime Minister or his representative, the Vice Minister of Economy, the Head of the National Planning Institute, the Manager of the Central Reserve Bank, the President of CONFIEP, and the USAID/Peru Mission Director.

3.1.2 Early implementation structures

The PAPI project officially started in March 1991, counting on the administrative support of USAID/Peru and the head of the TU. In order to avoid a delay in project start-up due to the absence of the Institutional Contractor — the Developing Economies Group was not selected as the IC until March 1992 after an extended process — budget elements were re-aligned to temporarily provide technical assistance through a Direct AID Implementation line item.

Through this budget line, the project initially financed studies requested by the Ministry of Economy and Finance and approved by the SGPR and the CIAEF with the technical support of the TU.¹³ In addition, funds were directed to the private sector through CONFIEP. Moreover, some training activities took place in late 1991 and early 1992.

After the IC was chosen, key personnel were to have arrived at post in June 1992. However, before DEG staff arrived, the political events of April 5, 1992, the closing of Congress, led to a suspension of US government-to-government assistance to the GOP. This delayed the start up of project activities under the IC. Nevertheless, the project continued to support private sector initiatives through CONFIEP, using the remaining funds in the Direct AID Implementation budget line, which at that point were very limited. During this period, the TU supported the Project Coordinator in the follow-up and evaluation of these studies. Limited training was provided with the Direct AID Implementation funds to support the GOP's privatization process and to advance the economic research of the Congress, as well.

In December 1992, USAID/Washington approved resumption of full implementation of the project through the IC. The IC's Deputy Chief of Party was hired, but due to security concerns of the US Embassy

¹³ We understand that this was the only time that the CIAEF met.

in Peru, the IC Chief of Party was unable to obtain clearance for permanent residence in Peru until September 1993. The training officer of the IC also began work in September 1993.

In 1993 (30 July), USAID/Peru issued Project Implementation Letter (PIL) No. 8 which changed key elements of the project structure. It effectively eliminated the CIAEF as the oversight institution. The CIAEF had only met once, in April 1991, and had not fulfilled its intended function. Its inactivity had become somewhat of a roadblock, since workplans required its approval. The envisioned Consulting Council never met and the National Planning Institute eventually broke up, with its functions divided between the MEF and the Secretariat of the Presidency.

3.1.3 The TU vs. the IC — 1993-95

Implementation of project activities accelerated in late 1993, as all IC advisers were finally in place, and as there was no longer a need to wait for CIAEF approval. However, questions as to what the role of the IC was as compared to the role of the TU created friction which in turn affected the work under the project.

The Institutional Contractor, contracted by USAID/Peru under full and open competition in accordance with USAID's procurement regulations, was to provide the required technical support services, and was to be also responsible for managing project resources. Therefore, although it was clear that the IC would handle the management of the project's budget, there was a lack of clarity regarding which technical functions the IC would undertake and which would be the responsibility of the TU. PIL #8 (issued on 30 July 1993, that is, before the arrival of the IC's Chief of Party) in effect had given the Technical Unit the lead responsibility in reviewing and prioritizing requests, leaving the Institutional Contractor primarily with administrative responsibilities. However, the contract with the IC was left unchanged until Amendment No. 5 in 1995. Thus, for two years the TU and the IC vied for the technical lead responsibility, each based on a document issued by USAID/Peru providing contradictory guidance.¹⁴ Largely as a result of these internal struggles, the technical resources offered under the contract were underutilized.

The 1990 Project Grant Agreement stated that the responsibilities of the Technical Unit were to

- Assign technical personnel from requesting institutions to work as counterpart to the IC consultants on each specific study,
- Review the final draft of the studies prepared by the IC to verify compliance with the terms of reference,
- Conduct meetings and seminars for government Ministries to discuss the studies and propose follow-up activities for training and information dissemination, and
- Coordinate with government agencies and the Institutional Contractor all support required to carry out the project. This support will be geared to specific studies, other technical issues and training.

¹⁴ As far as we can determine, PIL #8 was never countersigned by the Government of Peru. In a memorandum dated September 10, 1994, the USAID Project Manager, Ena Garland, informed the head of the Technical Unit, Clara Ogata de Kanamori, that PIL #8 had been eliminated because of the missing GOP counter signature. (La PIL 8 fue eliminada automáticamente cuando no fue firmada por el Gobierno. Sin embargo, la AID prefiere tener los resultados de la evaluación antes de emitir una nueva PIL.) Following the mid course implementation review, the Mission negotiated Amendment No. 5, which in effect confirmed the changes introduced with PIL #8. Amendment No. 5 then formed the basis for a contract modification. According to USAID, the PIL was considered valid (estuvo activa) because it had been prepared at the request of the SGPR.

The Project Grant Agreement also said that ' the IC together with the technical unit will complete the terms of reference for the study submitted by the CIAEF and the SEP [later referred to as the SGPR] It continues, saying

- The IC will select the appropriate consultants for the study and submit corresponding resumes for the consideration and approval of the SEP. Final decision on the selection of the most appropriate consultant(s) for performance of the study will, under the terms of the institutional contract, be that of the IC
- The IC will carry out the study with the support of the technical counterpart provided by the SEP. This team will also receive support from the Liaison Officer of the organization that requested the study
- The IC will be fully responsible for the quality of the study carried out by the contracted technical experts. However, the final draft of the study will be reviewed by the SEP to verify the study's compliance with the terms of reference, and to certify the overall quality and applicability of the analysis before submitting the final product to the requesting organization

However, because of the absence of an IC in the early years of the project, the TU temporarily had been charged with greater technical responsibility than originally envisioned in the Project Grant Agreement. This may have added to the resulting confusion regarding the technical role of each of these entities, reinforced by PIL #8. To some degree this situation resulted in a 'battle of wills' between the TU and IC in late 1993 and in 1994. This, in turn, resulted in frustration on the part of IC and TU staff, delays in the selection of activities to fund, delays in the production of terms of references (TOR), and a degree of confusion on the part of users.

Furthermore, the IC was not staffed optimally to handle the heavy administrative burden of the project. The staffing was more geared to a technical/policy advisory role rather than the administrative and project management role. Therefore, there was a relatively steep learning curve regarding USAID procedures and regulations for the IC residents beginning in 1993, USAID personnel expressed their concerns and indicated that they spent considerable time and effort to bring the IC up to speed. This resulted in slower contracting of consultants and other administrative delays.

3.1.4 The IC and CONFIEP

Meanwhile, the relationship between the IC and CONFIEP seemed to work smoothly. The 1990 Project Grant Agreement indicates that ' the lead private sector counterpart entity will be the National Confederation of Private Sector Institutions (CONFIEP). CONFIEP, through its Executive Board, will be responsible for generating and screening project requests for technical studies and training assistance. CONFIEP, as the most broadly represented private sector organization in Peru, is capable of providing the required back-stop support needed to effectively implement project activities and disseminate project results. (Amplified Project Description p. 4)

The IC was to provide the private sector counterpart with technical and administrative support. It performed both these roles and, due to the lack of human resources in CONFIEP and a lack of clear objectives for the private sector side of the PAPI project delineated by the Project Grant Agreement, the IC provided a relatively great degree of technical guidance regarding activities to be undertaken.

3.1.5 Amendment No. 5

A mid-course evaluation (or management review) of the PAPI project was carried out in August 1994. This evaluation determined that the technical capabilities of the IC staff were not being taken advantage of to their best degree and that there was little technical contact between the IC and government Minis-

tries, that the project's administrative procedures were complex, and that the project lacked strategic focus, among other findings. The evaluation also raised questions about the relatively high overhead on activities financed through the IC. The management review recommended refocusing the project on new policy priorities, primarily linked to employment concerns, and simplifying administrative procedures.

In March 1995, the PAPI project was extended to March 31, 1997, and its PACD was then subsequently extended to June 30, 1997. With the extension approved in 1995, several changes were made to the project, basically reflecting the changes already introduced in PIL #8. These modifications gave the TU more power and virtually sole control over the technical aspects of the public sector side of the project, even though USAID retains some influence. In addition, individual activities involve counterparts (coordinators) representing the respective governments' agencies. Meanwhile, the IC's role was reduced — its technical functions with regard to the public sector were stripped and it retained only an administrative support role as well as the responsibility of managing project resources. The IC's role with regard to private sector activities did not change. As stated by Amendment No. 5, dated March 1995, the TU's principal functions and responsibilities are to

- In coordination with the USAID/Peru Project Manager, analyze and prioritize proposals submitted by the GOP,
- In coordination with the USAID/Peru Project Manager, and the requesting agency, review and complete terms of reference for specific project technical assistance and training events,
- In coordination with the requesting agency and the USAID/Peru Project Manager, review and approve the consultant work plans,
- Assign technical personnel from requesting institutions to work as counterpart(s) to consultants on specific studies,
- Review the final draft studies to verify compliance with the terms of reference,
- Conduct meetings and seminars for government Ministries to discuss studies and propose follow-up activities for training and dissemination, and
- Coordinate with government agencies and the IC all support required to carry out the project. This support will be geared toward specific studies, other technical issues and training.

Amendment No. 5 also defined specific positions within the project structure. The head of the TU is Project Coordinator. The Project Officer and Project Manager are both located in USAID. The Project Officer, a US Direct Hire, was to be responsible for providing guidance as needed on policy as well as on administrative aspects. The Project manager, a Foreign Service National, is responsible for overall project management, provides technical and administrative backstop support for the Mission, and serves as USAID liaison with the IC and the TU. The IC's Technical Adviser/Economist is to act as adviser to the Project Manager on technical issues.

Thus, the TU has remained the implementing agency and also has assumed the role of the technical support and review entity for public sector activities. CONFIEP has remained the implementing agency for private sector activities. The IC has provided technical support to CONFIEP and has provided administrative support to both implementing agencies. Nevertheless, there is no structure or individual, whether in USAID/Peru, the SGPR, the TU, CONFIEP, or the IC that provides overall strategic guidance or long-term planning for the PAPI project.

3 2 Efficacy of organizational structure

In terms of financing activities for a large number of GOP entities, the PAPI project has been successful, and has been able to work with and implement studies and training activities for a variety of public sector organizations

3 2 1 Public sector participation

Overall, public sector participation in the project has been spread broadly. Some 21 Ministries, agencies and entities have carried out activities supported under the PAPI project. Figure 3.1 provides a summary overview of the distribution of the funds spent under the project on public sector activities across major sectors of government activity.¹⁵

However, as it currently stands, the organizational structure of the project hinders project implementation. By separating administrative and technical functions to such a high degree in public sector activities, budget approval and thus approval of project activities is slowed as is the contracting of consultants. While separation of technical and administrative *per se* can be a useful device from a control perspective, it creates a potential for friction and resultant inefficiencies unless there is an adequate level of trust and cooperation among the entities responsible for each. The structure of the project that evolved over time represents an uneasy compromise between maintaining adequate fiduciary oversight over the use of US government funds to ensure compliance with all applicable laws and regulations and the desire to leave control over the substantive use of these funds in the hands of the GOP. If direct management of all administrative tasks and individual contracting actions by USAID is not an option because of limited staff and resources, administrative oversight is most easily handled through contractual mechanisms which establish clear responsibilities and standards for the contractor. We are not convinced that the solution for technical direction that evolved in the PAPI project is the most appropriate option. The TU represents an entity of unclear standing that is neither under the direct oversight of USAID nor formally an integral part of the GOP.

3 2 2 Project management structure

Clients of the PAPI project for public sector activities have indicated that in most cases, the only individual related to the project with whom they have contact is the head of the TU. They work with the TU to refine proposals requesting project support, and then if their proposal is selected for financing by the TU and USAID/Peru, they work with the TU to develop the TOR. The TOR are then submitted to the USAID/Peru Project Manager for approval. If approved, this TOR, with a budget and a list of the client's and TU's suggested consultant(s) are delivered to the IC and to USAID/Peru. The IC then reviews the budget and makes adjustments to direct cost line items based on experience and market queries. Because the IC has not been included in the work sessions with the TU and client, the client feels that the IC does not understand their objectives or the financial needs of the technical work. Indeed, some have indicated that the TU understood their needs while the IC did not. There have been some allegations that budget control measures by the IC affected the TOR. We have not been able to substantiate these claims, but are aware that the IC has been under considerable pressure—in fact largely from the TU, to hold costs down, and therefore has been trimming fat from proposed budgets.

¹⁵ The allocation among the major sectors was somewhat arbitrary, basically taking different GOP entities and assigning them to one of four categories: Social — Ministries of Education, of Justice, of Health, of the Presidency, and of Labor; Productive — Ministries of Agriculture, of Mines and Energy, of Fisheries, and MITINCI; Financial — COFIDE, COMASEV, SAFP, and Economic — Ministry of Economy and Finance, COFOPRI, INDECOPI, Congress, Foreign Service, PCM, SGPR, SUNAD, and SUNAT.

Meanwhile, staff of the IC have indicated that they see the TU as having specifically "forbidden" them to meet with public sector clients. Such a provision, whether real or perceived, makes it difficult to clarify misunderstandings and reach common ground. Both the TU and IC are a part of the PAPI project and should be viewed as such. They should work together as a team.

With regard to selecting and contracting consultants to do the work, many of the clients do not seem to understand USAID contracting procedures. They expect, and at times demand, that the consultants they have suggested will be chosen to perform the work and are upset by the IC's requesting biodata sheets, salary history and the like (per USAID requirements). When consultants do not agree to or cannot provide the requested documentation and are therefore disqualified, the clients seem to blame the IC. There is a disconnect between USAID/Peru, the IC and the TU, and clients do not seem to understand the relationship between the three. This has particularly been the case since Amendment No. 5. Clients of activities implemented prior to 1995 have mentioned meetings held with USAID/Peru representatives, IC staff and TU staff, and have indicated that the process of TOR and budget approval and contracting of consultants was relatively smooth. However, for those activities implemented after Amendment No. 5, the complaints from clients have been consistent—there is too much bureaucracy. This frustration holds true for those clients that have had a relatively high degree of contact with USAID/Peru staff, as well.

3.2.3 Policy dialogue and USAID/Peru policy agenda

The project management structure and the internal friction among its elements has undermined the potential of the PAPI project as a vehicle for USAID/Peru policy dialogue with the GOP. Most public sector clients have little if any contact with the USAID/Peru Project Manager or Project Officer under the project, and do not seem to be aware of USAID/Peru's objectives or policy agenda. Their primary contact is with the TU, which is consistent with the Project Grant Agreement Amendment No. 5. As described later, the procedures used for selecting activities to finance also limit USAID/Peru's role in supporting policy reform in Peru in areas that the Mission has identified as priorities.

3.3 Working relationships

The relationships between Implementing Agencies, the IC, USAID/Peru, the SGPR and clients vary—some are strained, some unequal, some non-existent, and some good. In general, the relationship between the IC and TU is strained. Prior to the 1995 Amendment to the Project Grant Agreement, there were arguments over technical roles and authority. Following the Amendment, which placed an inordinate amount of control under the TU, arguments continued. Although there are regular meetings between the IC and TU, the relationship remains strained. According to the IC, their staff have repeatedly been instructed by the head of the TU not to meet with government clients or to call them directly, and to copy the TU on any correspondence between the IC and clients regarding administrative matters. Meanwhile, clients at times have sensed animosity between the TU and IC, and have indicated that the communication between the two entities is poor.

The relationship between the IC and CONFIEP is good. Communication is regular and there is a high degree of cooperation in implementing activities.

With regard to the relationship between the TU and CONFIEP, there is little communication, but what little there is seems strained as well. According to CONFIEP, they attempted to have an information-sharing work session with TU to see if they could work together on activities promoting public-private sector dialogue, however, they felt that they shared their plans and information but that the TU provided nothing in return and did not seem open to involving CONFIEP in their activities. Meanwhile, the Head of the TU has said that the TU offered to provide technical assistance to CONFIEP but that CONFIEP rejected their offer. CONFIEP has also indicated that the head of the TU has not wanted them to meet with public sector entities regarding private sector activities.

According to the SGPR, they currently have little input into the day-to-day operations of the PAPI project, but rather rely on the TU for this function. Their relations with USAID/Peru and the TU are good, but limited in the context of the project.

The relationship between the TU and the USAID/Peru Project Manager (and Project Officer before) has become rather ineffectual. Due to instances in the past when the head of the TU contacted the Mission Director to resolve problems or speed up procedures rather than going through the Project Manager or Project Officer, current USAID/Peru staff related to the project apparently prefer to avoid confronting the head of the TU when problems arise. USAID/Peru staff now seem to have little control over the direction of the project.

Meanwhile, the relationship between USAID/Peru and CONFIEP is positive, although direct contacts seem to be limited largely to discussions of proposed activities. Since the IC technical adviser is working closely with CONFIEP in developing programs and activity proposals, and also serves as technical adviser to the USAID Project Manager, communications are good.

Finally, public sector clients have indicated that their working relationship with TU has been smooth, that they have had little or no contact with the IC, and that what little contact they have had with USAID/Peru has been fine. However, they have all indicated that they do not understand the relationship between TU, IC and USAID/Peru, and that having to work with the three entities complicates the process. The private sector clients have primarily been participants in training, or have been trade associations that have requested studies on issues pertaining to their sectors. These clients apparently have worked well with CONFIEP.

3.4 Adequacy of human resources/infrastructure

Project-financed human resources are not being used properly. The entire staff of the TU is financed by the project, yet in addition to representing USAID/Peru and the project to the Government of Peru, the TU represents the Government to USAID/Peru. Furthermore, despite their professional and academic qualifications, the two economists on the staff of TU have virtually no contact with project clients and are not used to give direct technical assistance to these clients. In fact, they have been excluded from meetings or work sessions with these clients. The head of the TU has mentioned that administrative support within the TU is inadequate.¹⁶

Human resources on the government side include the time of activity counterparts or coordinators. We have come away from our discussions that most of them have been actively involved in preparing and conducting the activities.

The staff of the IC is also project-financed. After the 1995 Amendment, the staffing profile of the IC was modified to reflect its administrative role. This change improved administrative functions and reduced the time of consultant contracting. The human resource levels within the IC are currently adequate for project management—that is for managing the flow of funds and contracting duties.¹ Also, human resources seem adequate for the limited technical role that the IC has been held to. However, we should note that we do not see an overwhelming case for bringing in expatriate advisers to handle administra-

¹⁶ Any inadequacies or weaknesses in the administrative area within the TU apparently were not a problem when the TU offered CONFIEP to provide administrative and technical support to the private sector component of the project.

¹ We should note that there are differences of opinion about the adequacy of resources for contracting. In its comments, the TU has expressed dissatisfaction with the speed of contracting, which could be read to imply that the resources of the IC should be upgraded. At the same time, the IC feels that the time required for contracting is adequate. The time we had in the field was not sufficient to carry out the detailed review of contracting histories to adjudicate between these claims.

tive tasks, although their involvement and oversight provides a greater degree protection against political pressures in contract negotiations¹⁸

None of the staff of CONFIEP are paid by the project. However, one member of CONFIEP spends the majority of her time on the project handling logistics and management functions. This staff member is an economist, but is unable to provide day-to-day policy guidance on project proposals or activities undertaken.

The PAPI project currently has a USAID/Peru Project Manager, but no Project Officer. Furthermore, USAID/Peru lacks a Program Economist who could provide general policy analysis and guidance. Meanwhile, the Project Manager is charged with handling both administrative and technical functions, and therefore has little time to devote to the latter.

The strict division of powers as well as the division between public sector and private sector activities results in an inefficient use of human resources. More people are needed than would otherwise be necessary if the project were more integrated. If there were one team providing technical and administrative support, communication would be facilitated, less time would be spent on formal meetings, and there would be fewer infrastructure needs. While separating technical and administrative functions may have some advantages in terms of control purposes, it does create a potential for inefficiencies if friction exists between the entities responsible.

As for infrastructure, the office space for each of the units seems adequate. However, since each entity is housed in a different part of the city, communication is not as easy or constant as it could be. Computers and Lotus Notes have been installed in the TU, CONFIEP, USAID/Peru and the IC. However, the IC is the only entity which actually inputs data into Lotus Notes and shares it. Furthermore, reporting formats of the TU and IC are different and do not immediately match up. CONFIEP makes use of the IC's reports.

3.5 Adequacy and appropriateness of procedures

3.5.1 Activity selection procedures

Two channels exist for the selection and prioritization of requests for public sector activities. The first is the *ronda* system, under which the SGPR invites every six months requests for support from government agencies. The second channel is the so-called fast-track system, used in instances requiring immediate turnaround because of the critical and time-sensitive nature of the activities. This channel has been used in a number of cases.

In general, procedures used under the project have resulted in studies and training that address short-term priority policy concerns of the GOP and the private sector. However, the studies and training are often isolated events, and although they may fit into the programs of individual ministries, there is not an overall coherence to the activities. Furthermore, an issue raised by several clients has been the lack of follow-up studies or training to reinforce prior activities financed by the PAPI project. Internal consistency or coherence is less of an issue in the case of CONFIEP, which is a single entity working in a programmatic context.

Many of the public sector users we talked to cited the inability to count on follow-up and complementary activities as a drawback of the procedures used. Once an activity is completed, requests for follow-up activities are submitted along with other agencies' proposals in the semiannual "ronda." Because

¹⁸ This argument is akin to that underlying the current trend toward independent procurement agents used in World Bank and other projects. The main difference here are the relatively small amounts involved.

they are competing with many others, clients have few assurances, if any, that their proposals for follow-up activities will be selected for funding

This feature is rooted in the project design, which emphasized support for short-term small activities, rather than a programmatic pursuit of selected priority areas. The activities supported are intended as "seed activities, to facilitate progress and to leverage resources for policy implementation. We believe that this design feature does not offer the best route to ensuring impact. The worldwide experience in policy reform teaches us that focus and consistency are key ingredients in achieving the greatest impact for any given effort.

Clients have indicated that the process of submitting proposals is a smooth one. They receive sufficient assistance and seem to understand the process. Furthermore, clients seem pleased with the speed with which proposals are selected, and say that the length of the review and selection process compares favorably to that experienced with other financing sources. Nevertheless, they do not understand the process of selecting proposals for funding. They are aware that they are competing with other potential clients, but are not fully aware of the selection criteria. Since only the "winners" are notified, and the "losers" do not receive the written justification for the rejection of their requests that the project design asked for, they can only infer the selection criteria used.

3 5 2 Selection criteria

It is not apparent that there are clear selection criteria that are followed. The TU prioritizes proposals received, taking into consideration the quality of the proposals, the general fit with the project's objectives (which are broad), and the relative importance of the issues addressed by the proposal in the opinion of the TU and SGPR. This list is then delivered to USAID/Peru, which then determines which proposals fit best within the Mission's SOs and within the general objectives of the project. USAID/Peru and the TU then negotiate to determine the final set of activities to be financed by the project. Therefore, the activities selected are acceptable to both the GOP and to USAID/Peru, but there is no strategic framework which guides their selection.

3 5 3 Contracting procedures

The procedures used to prepare TOR seem to work smoothly, however, adjustments could be made which would speed the process and result in a better product. Clients whose activities have been selected for financing prepare TOR and a list of possible consultants and submit these to the TU. The head of the TU and the two economists on staff then review the TOR and suggest improvements and refinements. Clients have said that their meetings with the head of the TU to discuss changes have gone well, however, sometimes the TOR has to go through a couple of revisions. The TU staff economists are not included in meetings with clients and therefore cannot ask clients directly what their overall objectives are. If the economists were given the opportunity to meet with or call clients to discuss their TOR, they could more easily help the client revise the activity terms of reference to result in better more useful studies and training sessions.

USAID also has inputs into the TOR before they go to the IC. The Project Manager on many occasions has suggested modifications in the TOR before the activity could be approved.

Completed TOR with budgets and a list of possible consultants are submitted to the IC. As discussed earlier, the IC works to refine the budget based on its estimate of costs. However, the IC does not meet directly with public sector clients. As discussed before, this slows the process to some degree and also results in some negative feelings from the clients. The clients do not understand the relationship between the TU and IC and do not have contact with the IC, and therefore do not understand why a budget discussed with the TU is not approved as is. Furthermore, as was discussed earlier, clients seem

to expect that the consultants they have suggested during the consultant selection phase will be hired to perform the work and do not understand the requirements of the contracting process. Because the IC has a greater degree of communication with CONFIEP, these same problems do not seem to arise on the private sector side.

In general, clients seem satisfied with the products delivered, whether they are studies or training activities. Some clients get involved to a greater degree than others with the supervision of the activities. The TU and CONFIEP also supervise activities — monitoring studies and training sessions and reviewing the results. Although USAID/Peru eventually receives all of the final studies, the studies are not always delivered immediately and in some cases, parts of the studies are declared confidential or “reserved” by the TU and are not forwarded. In addition, USAID/Peru is not equipped to review many of the final products and instead relies on the satisfaction of the clients and implementing agencies. Furthermore, many of the SO team leaders within USAID/Peru do not seem aware of project studies and training activities underway or of past project activities which affect their areas of interest, although the PAPI Project Manager sends them the proposals for comments.

The public and private sector users or clients of the PAPI project seem to be pleased with the project as a source of funding and believe that study findings and training or dissemination activities have been valuable. A repeated complaint is the lack of follow-up — because these clients compete with others for funds, follow-on studies or training are not assured or even likely. USAID's influence on the project activities is minimal and there is no overall program or strategic plan guiding which policy issues are addressed and how. Over the last year or so, the project has been placed under SO #2, and the SO Team discusses the appropriateness of the PAPI activities according to the SO mandate. We consider that a step in the right direction, but it appears to be reactive, rather than proactive guidance.

3.6 Conclusions

Conclusion # 7 The project has involved a broad range of GOP entities.

Conclusion #8 The project structure is complex, even after the attempts at streamlining under Amendment No. 5, and is confusing for the executing agencies.

Conclusion # 9 The structure of project implementation has impaired USAID's participation in policy dialogue.

Conclusion # 10 Poor communication between members of the PAPI team has reduced the efficacy of the project and has resulted in poor morale. USAID contributed to the confusion by issuing a Project Implementation Letter that entailed a major realignment of responsibilities without modifying the technical assistance contract accordingly. As a result, for almost two years two project entities — the TU and the IC — could point to a mandate from USAID for having the lead responsibility on technical issues.

Conclusion # 11 The management of project funds as a semiannual “sweepstakes” or competition has severely impaired the ability to use project support in a programmatic fashion (for example, combining research, training, consensus building and dissemination). The result has been a collection of a fairly large number of (mostly) useful activities, but a coherent thrust that would optimize policy impact has been lacking.

Conclusion # 12 There is no clear strategic framework or specific criteria used for the selection of activities to be funded within the context of the GOP's overall development policy priorities.

4.0 Lessons learned

4.1 Rationale

Lesson #1 A project providing a flexible quick-response mechanism to allow government agencies to address critical issues as they arise in the process of articulating and implementing policy reforms is a valuable element of overall development assistance

Lesson #2 Properly used, such a project can advance USAID/Peru's policy reform agenda by addressing priorities within selected Strategic Objectives, and complementing policy work within Strategic Objectives by focusing on cross-cutting themes and areas of common priorities. If the necessary process of review and guidance across various Strategic Objectives is too cumbersome and ineffective, given time and resource constraints within the SO Teams for such functions, a focus on a single Strategic Objective is essential

4.2 Procedures

Lesson #3 This type of project places a premium on strategic management procedures to ensure a common understanding of priorities and procedures among all participants. Since policy priorities change over time, especially in a period of rapid transition, such a project needs a built-in capability to review specific objectives and areas of concentration, and revise them as necessary on a continuing basis. Without this capability for strategic management, objectives once appropriate may no longer apply, allowing for a softening of the project focus, and the possible inclusion of activities that may be valuable, but do not reflect current policy priorities

Lesson #4 To realize the potential of such a project as a vehicle for strengthening its policy dialogue with the GOP and advancing its policy agenda, USAID/Peru needs to maintain direct control over whatever structure is used to set and monitor substantive direction for the project, and to ensure adequate human resources for both technical and administrative tasks. A "hands-off" approach entails the risk of spending assistance resources on activities that relate marginally to the Mission strategy. Relying primarily on USAID-funded counterparts for strategic leadership complicates matters, because that group is neither fully part of the GOP structure, nor subject to USAID oversight. The project management structure that has emerged under the PAPI project has proved ineffective for promoting USAID/Peru-GOP policy dialogue

Lesson #5 If a *ronda* system is used in this type of project (i.e., selection of activities from requests after solicitation), proactive outreach is required to encourage submissions that reflect policy priorities, and to make certain that potential applicants have a clear understanding of these priorities and the associated selection criteria

Lesson #6 Even in a *ronda* system, a mechanism should be put in place to allow for more programmatic support (follow-up or the combination of research, training, consensus building and dissemination) in appropriate situations

Lesson #7 Technical guidance and monitoring as well as administrative guidance should be straightforward and simple, thus reducing costs and confusion and facilitating better internal communications and closer monitoring by USAID/Peru

Lesson #8 In the Peruvian context, funding public and private sector activities under one Project Grant Agreement, but separating the entities supervising the activities, has the potential of creating friction and hampering rather than promoting constructive policy dialogue between the two partners. That

may be less of an issue if both technical direction and administration are more closely controlled by USAID/Peru itself

ANNEX A

USAID/Peru's Strategic Objectives, Intermediate Results and Indicators¹⁹

Strategic Objective No 1 Broader Citizen Participation in Democratic Processes

- | | |
|------------|--|
| Indicators | <ul style="list-style-type: none"> (a) Percent of citizens that are active members of at least one civil society organization (b) Valid votes cast as a percent of eligible voters in elections (c) Percentage of citizens satisfied with their opportunities to participate in decision making at different levels of government |
|------------|--|

Intermediate Result 1 1 More effective national institutions

- | | |
|------------|---|
| Indicators | <ul style="list-style-type: none"> (1) Percent of citizens who believe that elections have been free and fair (2) Percent of citizens who feel that key national institutions are effective |
|------------|---|

Intermediate Result 1 2 Greater access to justice

- | | |
|------------|--|
| Indicators | <ul style="list-style-type: none"> (1) Percent of citizens who believe that the judiciary is responsive to their needs and demands (2) Change in State Department Human Rights Report assessment |
|------------|--|

Intermediate Result 1 3 Local governments more responsive to constituents

- | | |
|------------|--|
| Indicators | <ul style="list-style-type: none"> (1) Percent of citizens who believe that local government is responsive to their needs and demands (2) Percent of local governments' development programs developed with popular participation (3) Percent of local governments holding regular public town meetings and budget hearings |
|------------|--|

Intermediate Result 1 4 Citizens better prepared to exercise rights and responsibilities

- | | |
|------------|--|
| Indicators | <ul style="list-style-type: none"> (1) Percent of citizens who are aware of functions of key institutions (2) Percent of citizens who are aware of basic rights and civic responsibilities |
|------------|--|

¹⁹ Cf. USAID Country Development Strategy for Peru FY 1997 FY2001. As we were conducting this evaluation, USAID/Peru was completing its R4 report, which may include some updates and modifications. The indicators correspond to a preliminary version and are therefore likely to be modified.

Strategic Objective No 2 Increased Incomes of the Poor

- Indicators (a) Value of expenditure per capita of the poor
 (b) Percent of poor and extremely poor in the population

Intermediate Result 2 1 Improved policies

- Indicators (1) Percent of government budget directed to the poor
 (2) Legislation/regulations facilitating access by the poor to productive resources/opportunities

Intermediate Result 2 2 Increased market access

- Indicators (1) Number of new markets for selected products
 (2) Value of sales of selected products
 (3) Volume of sales of selected products
 (4) Number of microenterprises established/strengthened

Intermediate Result 2 3 Improved capacity of the extremely poor

- Indicators (1) Percentage of households in extremely poor districts with unsatisfied basic needs
 (2) Number of nutritionally at-risk children in targeted feeding programs showing positive growth trends

Intermediate Result 2 4 Strengthened organizational outreach

- Indicators (1) Number of organizations with management systems in operation
 (2) Level of organizational efficiency
 (3) Level of organizational effectiveness
 (4) Degree of service delivery

Intermediate Result 2 5 Increased production/productivity

- Indicators (1) Percent change in yields per ha of selected small farmer crops
 (2) Cost of production per unit of output in microenterprises
 (3) Percent of target population using technical inputs/technologies

Strategic Objective No 3 Improved Health, including Family Planning, of High-Risk Populations

Indicators	(a) Infant mortality rate (b) Under-five mortality rate (c) Maternal mortality ratio (d) Total fertility rate
<i>Intermediate Result 3 1</i>	<i>People take appropriate preventive actions</i>
Indicators	(1) Immunization coverage of under-ones by type of vaccine (2) Immunization coverage of women in high-risk areas who receive two doses of tetanus toxoid vaccine (3) Contraceptive prevalence rate (4) Condom distribution and purchase (5) Proportion of pregnant women who benefit from at least four prenatal care visits (6) Incidence of key emerging diseases
<i>Intermediate Result 3 2</i>	<i>People take appropriate promotive actions</i>
Indicators	(1) Couple-years of protection (2) Duration of exclusive breastfeeding (3) Percentage of children aged 6-9 months who receive two daily rations of appropriate weaning foods
<i>Intermediate Result 3 3</i>	<i>People take appropriate curative actions</i>
Indicators	(1) Case fatality rate of cholera (2) Infant deaths due to acute respiratory infections in health facilities (3) Maternal mortality ratio in health facilities (4) Treatment of genital tract infections
<i>Intermediate Result 3 4</i>	<i>Sustainable institutions and operations are in place</i>
Indicators	(1) Policy reforms (2) Percentage of targeted personnel from USAID priority targeted regions that are trained in key primary health care interventions (3) The successful implementation of a permanent in-service training system for the Ministry of Health (4) Number of days of stock-outs of contraceptives

Strategic Objective No 4 *Improved Environmental Management in Targeted Sectors*

- Indicators
- (a) Percentage of public that perceives effective actions have been taken to improve ENR management
 - (b) Protected areas management index
 - (c) Percentage of solid waste properly disposed of in legal sanitary landfills in Lima
 - (d) Percentage of industrial plants that have adopted value-added pollution prevention measures

Intermediate Result 4 1 *Institutional capacity of the GOP and private sector strengthened*

- Indicators
- (1) Effectiveness score for GOP and CONAM capacity in terms of ENR policy-making and implementation
 - (2) Number and type of policy research issues carried out, discussed in public fora, widely disseminated, and policy proposals developed by private sector institutions
 - (3) Number of strategic plans, vision statements, or policy proposals developed through participatory workshops of targeted civil society groups

Intermediate Result 4 2 *Mobilizing public support for environmental improvements*

- Indicators
- (1) Percentage of people who understand and are concerned about pollution prevention and sustainable management of natural resources

Intermediate Result 4 3 *Innovative technologies tested through pilot projects*

- Indicators
- (1) Pilot projects related indicators

Intermediate Result 4 4 *Cost-effective sustainable practices adopted*

- Indicators
- (1) Specific practices replicated or adopted within a larger universe

Intermediate Result 4 5 *Sound policies established and effective legislation enacted*

- Indicators
- (1) Effectiveness score of ENR policies established and legislation enacted with substantial and extensive participation of civil society
 - (2) Percentage and number of targeted policies and legislation overlaps, inconsistencies and gaps eliminated by the inter ministerial coordinating body
 - (3) A National Environmental Plan established with public and private sector consensus

Intermediate Result 4 6 *Other donor investments increased*

- Indicators
- (1) Amount of other donor ENR activity investment

(2) Percentage increase in funding allocated by COP and other donors to PROFONAMPE

Special Objective Reduce Illicit Coca Production in Target Areas in Peru

Indicators (a) Number of coca hectares in production in targeted areas
 (b) Volume of coca leaf production in targeted areas
 (c) Number of communities committed to support alternative development efforts in target areas

Intermediate Result 5 1 Increased income and employment from licit economic activities in target areas

Indicators (1) Number of full-time job equivalents generated
 (2) Value of production of legal agriculture crops
 (3) Value of production of off-farm activities

Intermediate Result 5 2 Improved quality of life in targeted areas

Indicators (1) Percentage of population in target areas with access to basic services
 (2) Percentage of local governments in target areas implementing projects with citizens participation

Intermediate Result 5 3 Increased awareness of damages caused by drug production and use

Indicators (1) Level of drug awareness in target areas
 (2) Number of community groups engaged in drug prevention activities in target areas
 (3) Percentage of Peruvian who think that drug production, trafficking and abuse is a major problem for Peru

Intermediate Result 5 4 Suppressed narcotics trafficking through law enforcement and interdiction efforts

Indicators (1) Price of coca products in target areas
 (2) Volume of cocaine base mobilized
 (3) Reduced availability of processed coca products or unprocessed coca leaf destined for processing to drug traffickers
 (4) Seizure or destruction of illicit drugs and chemicals used for their processing
 (5) Arrest and incarceration of major drug traffickers

Intermediate Result 5 5 Increased other donor and GOP activities in alternative development

- Indicators
- (1) Amount of GOP Public Treasury funds budgeted for target areas
 - (2) Amount and number of new other donor activities
 - (3) Percentage of target areas included in geographic focus of multilateral development bank projects
 - (4) Completion and presentation of GOP National Alternative Development Strategy

Annex B — List of individuals with whom the Team met

USAID

Eric Zallman, Mission Director

Jorge Alarcón, PAPI Project Manager

Miriam Choy, PDP Staff/Evaluation Officer

Jaime Correa, Project Development Officer

Walter Raffo, Security Officer

Eduardo Albareda, MSP Coordinator, ORD/PENRD

Joseph Lombardo, PDP Chief

Harry Wing, Chief of ORD

Susan Brems, Chief of Office of Health, Population and Nutrition

Luis Seminario Carraso, Public Health Assessor in office of Health

Stan Stalla, Chief of Office of Local Government and Alternative Development

Alan L. Davis, Chief of Environment and Natural Resources Office

Jeff Borns, Chief of Office of Democracy

Arturo Briceño Lira, former USAID Economist

Ena Garland, former PAPI Project Manager

Secretariat of the Presidency

Ing. Jose Kamrya Teruya, Secretary General of the Presidency

Technical Unit

Clara Ogata de Kanamori, Chief of Technical Unit

Lourdes Coll, Economic Specialist of Technical Unit

Flena Esparza, Economic Specialist of Technical Unit

Guillermo Runciman, former Chief of Technical Unit

Institutional Contractor

Carlos Gasco, Chief of Party

Jorge Vega, Deputy Chief of Party and Economist

Daniel Schydrowsky, Chairman of the Board of BIDE

Roxana Barrantes, former training specialist

CONFIEP

Manuel G. Llosa, General manager of CONFIEP

Eduardo Devota Achá, former General Manager of CONFIEP

Carola Leon Pittman, Manager of Studies and Projects

Public Sector Clients

Maria Esther Cuadros, Ministry of Education

Gustavo Yamada, Ministry of Work

Carlos Paredes Salazar, COFIDE

Nancy Torrejon Muñante, Ministry of Education

Cesar Palomino, Ministry of Education

Victor M. Loyola Rosario, MITINCI

Francisco Martinotti Sormaní, Programa de Pequeña y Micro Empresas

Iván Muffin Bresciani, Programa de Pequeña y Micro Empresas

Fernando Zavala, INDECOPI

Ernesto Franco, INDECOPI

Geoffrey Cannock, OSIPTEL

Jorge Melo-Vega Castro, OSIPTEL

Cesar Guadalupe, SUNAT

Fátima Ponce, former MEF staff

Eco Carlos Guerrero Lopez, CONASEV

Mario Cardenas Diaz, CONASEV

William Arteaga Donayre, Ministry of Agriculture

Neride Sotomayoro Maturo, Ministry of Economy & Finance

José Valderrama León, Ministry of Economy & Finance

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Gabriel Ortiz de Zevallos, Executive Director of APOYO

Rosa Ana Balzacar, Director of Projects, APOYO

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